

includes \$13.5 billion in FY2006 from both supplemental and baseline funds with additional funds in later years.²⁴

In late March, Army Lt. General Melcher testified that the Army had submitted a \$13.5 billion reset requirement to OMB for FY2006 for repair and recapitalization including:

- \$1.5 billion for battle losses;
- \$5.2 billion for equipment repair;
- \$5.2 billion for equipment recapitalization; and
- \$1.6 billion to repair and replace prepositioned equipment.

Lt. General Melcher also estimated that an additional \$12 billion to \$13 billion per year would be needed “through the period of conflict and for two years beyond.”²⁵ These requirements do not include the cost of leaving equipment behind which General Melcher said was a “subject of great debate right now between the CENTCOM [Central Command] staff and the Third Army and the department.”²⁶

The Marine Corps recently estimated that it would need \$11.7 billion to reset all its equipment including \$5.1 billion received or requested in FY2006.²⁷ In FY2006, the Marine Corps’ reset requirement is more than three times its regular procurement budget of \$1.3 billion.²⁸

It is not clear whether these estimates take into account the \$60 billion in procurement funds already received or requested in war appropriations or current and future requests in the baseline budgets of the services (see **Table 2**). To the extent the services repair or replace equipment sooner than planned because of the effects of war operations, DOD’s current and future baseline budgets may be able to be reduced.

²⁴ *Inside the Army*, “Schoomaker: Reset, Recap Likely to Exceed \$36 billion Over five Years,” February 20, 2006; Defense Daily, “Marine Corps Needs \$12 Billion For Reset,” Hagee Says,” Feb. 16, 2006; Testimony of General Schoomaker before the Senate Armed Services Committee, *Hearing on FY2007 Defense Authorization*, Feb. 14, 2006.

²⁵ Statement by Lt. General David F. Melcher, Deputy Chief of Staff, G-8, U.S. Army, before the House Armed Services Subcommittee on Readiness and Tactical Airland Forces, “On Army Equipment Reset,” Mar. 30, 2006, p. 5 and 8; Lt. General James J. Lovelace, Deputy Chief of Staff, G-3/5/7, U.S. Army before the Senate Armed Services Committee, Subcommittee on Readiness and Management Support, “On Army Readiness and Soldier Support,” Mar. 15, 2006, p. 7.

²⁶ General Melcher in transcript, House Armed Services Subcommittee on Readiness and Tactical Airland Forces, “On Army Equipment Reset,” Mar. 30, 2006.

²⁷ *Defense Daily*, “Marine Corps Needs \$12 billion for Reset, Hagee Says,” February 16, 2006; see also, testimony of Lt. General Gardner before the House Armed Services Committee Subcommittees on Readiness and Tactical and Land Forces, “Repair of Army and Marine Corps Damaged Equipment,” Mar. 30, 2006.

²⁸ Statement of Lt. General Jan Huly and Lt. General John F. Sattler before the Subcommittee on Military Readiness of the Senate Armed Services Committee, “Readiness and Resetting the Force,” Mar. 15, 2006, p. 19.

War-Related Procurement Issues. To evaluate the overall reset requirement, Congress may want to ask the Administration:

- What are current reset estimates and the underlying assumptions about force levels, the pace of operations, and how quickly equipment needs to be replaced?
- How much of the overall requirement has been met by previous appropriations and current requests?
- How does war-related maintenance and procurement funding affect the baseline budget?

The same questions could be asked about DOD's past and future plans for war-related procurement for force protection, upgraded capabilities, and equipment for new modular Army units and restructured Marine Corps units. DOD has provided little or frequently changing estimates of war-related procurement requirements (such as for uparmored High Mobility Multipurpose Wheeled Vehicles (HMMWVs), making it problematic to assess requests. In some cases, like HMMWVs and other force protection gear, requirements have changed in response to operational experience in ways that were not anticipated in DOD's baseline budget.

In other cases, however, the distinction between what is war-related and what instead is part of DOD's ongoing transformation or modernization is less clear. For example, DOD decided to fund the first two years of the Army's modularity and the Marine Corps' restructuring requirements in supplementals in FY2005 and FY2006 and then fund future years in its baseline budgets. The rationale for that decision was that these costs should be considered war-related because the additional units created would ease the stress on troops, a conclusion questioned by two studies by CBO and the RAND corporation because few of the units created would deploy for OIF or OEF.²⁹ Because funding for modularity was provided in supplementals for two years, monies were freed up in the Army's baseline budget for other procurement items in FY2005 and FY2006.

To some extent, these war-related requirements for recapitalization, modularity, force protection, and upgrades may overlap with each other and with the baseline budget since all involve the purchase of new equipment to improve capability. Since DOD is constantly modernizing, some of the funding for these requirements may have been included in estimates for the later years of DOD's baseline budget.

Thus, because DOD has received substantial war-related procurement funding since FY2003, some of these anticipated requirements may already have been met. As long as funding levels remain roughly the same, the services may simply have substituted other less urgent requirements. On the other hand, estimates of the cost of DOD's new weapon systems tend to rise — as has been the case with modularity for example — placing pressure on future budgets. To the extent that war leads to

²⁹ CBO, *An Analysis of the Military's Ability to Sustain an Occupation in Iraq: an Update*, October 5, 2005; [<http://www.cbo.gov/ftpdocs/66xx/doc6682/10-05-05-IraqLetter.pdf>]; RAND, *Stretched Thin: Army Forces for Sustained Operations*, 7-15-05; [http://www.rand.org/pubs/monographs/2005/RAND_MG362.pdf].

funding more urgent requirements sooner, Congress may be able to adjust the baseline budget.

Moreover, although DOD is supposed to carry only war-related incremental costs in its supplementals, it is often difficult to unravel how much fits appropriately in the baseline and how much in supplemental funding. Since war funding is not subject to budget resolution constraints, it is in the interest of both DOD and defense advocates in Congress to maximize the costs covered in war appropriations. With the frequent shifts in requirements and the possible conflation of war and baseline requirements, it may be difficult for Congress to gauge whether the amounts requested by DOD are too high, too low, or about right.

Potentially Controllable Support Costs

Although it is often assumed that all war-related operational costs reflect on-the-ground requirements of commanders and hence cannot and should not be adjusted, recent cost trends suggest that some war-related support costs reflect a mixture of operational needs and policy and contracting choices. **Table 6** shows the FY2004 and FY2005 costs for OIF and OEF by expense categories used by DOD to track past costs and estimate future costs.³⁰ DFAS categories range from “optempo” — the cost of fuel and replacing parts after operations — to facilities/base support, covering housing and support services for deployed troops. As a benchmark, **Table 6** also shows estimated average troop levels for OIF and OEF.³¹

Costs that are largely determined by either commanders on the ground or external factors include:

- operating tempo or optempo for short — the cost of fuel and replacement parts for equipment used in operations, which largely reflects the intensity of operations and the price of fuel;
- most equipment maintenance requirements which reflect repairs needed after operations; and
- special pays for soldiers, such as imminent danger pay and family separation allowances, set by statute.

Even where costs are largely uncontrollable, Congress may wish to ask DOD to explain changes in costs and the assumptions underlying its requests in order to assess current requests, predict future costs, and look at any effects on DOD’s baseline budget. For example, the rise in optempo costs between FY2004 and FY2005 from \$6.1 billion to \$7.0 billion for OIF and from \$900 million to \$1.6

³⁰ These categories appear in both DOD, *Execution & Cost of War Execution Reports*, which track obligations by month, year, and appropriation, and in DOD’s Contingency Operations Support Tool (COST) model that was developed in the mid-1990s to track the cost of contingencies and is now used to estimate some OIF and OEF costs.

³¹ CRS estimated average personnel levels from DFAS funding for hostile fire or imminent danger pay. Since each troop is entitled to \$225 per month in hostile fire pay, total funding can be divided by 12 to get a monthly level and that figure can be divided by \$225 to get average troop levels.

billion for OEF may reflect a combination of more troops, higher fuel costs, and a more intense pace (see **Table 6**). To better understand this type of change, Congress may want to ask:

- What is the impact on costs of higher fuel prices?
- Are optempo costs rising due to more intensive operations (measured in miles per vehicle), more troops or other factors?
- Has the baseline budget been reduced to reflect training that cannot be conducted or equipment cannot be repaired because troops are deployed?

**Table 6. OIF and OEF War Obligations By Expense:
FY2004-FY2005**

(in thousands of troops, billions of dollars, or percent of total)

Defense Finance Accounting Service Category ^a	Operation Iraqi Freedom			Operation Enduring Freedom		
	FY04	FY05	Percent Change FY05/04	FY04	FY05	Percent Change FY05/04
Avg. No. Military Personnel^b	206,000	202,000	-2%	33,000	50,000	51%
Military Personnel Costs	12.2	11.5	-6%	2.8	3.4	23%
Special Pays ^c	3.3	2.6	-23%	1.9	0.9	-51%
Activating Reservists	6.9	6.1	-12%	0.7	1.8	170%
Subsistence	2.0	1.2	-38%	0.2	0.4	67%
Active Component Overstrgth ^d	0.0	1.6		0.0	0.3	
Operation & Maintenance	37.4	41.9	12%	6.9	6.8	-1%
OPTEMPO and Training	6.1	7.0	16%	0.9	1.6	72%
Reconstitution/Equipment Maintenance ^f	4.6	4.9	7%	0.2	0.2	17%
Transportation	5.1	5.9	15%	1.0	0.9	-5%
Facilities/Base Support	8.0	8.0	0%	0.9	0.8	-8%
Other Supplies & Equipment	4.4	5.3	20%	0.8	0.9	11%
Other Services/Misc. Contracts	4.6	5.1	12%	2.0	1.2	-42%
Comm., Control, Comm, Computers & Intelligence	0.8	1.1	40%	0.5	0.5	5%
Civilian personnel	0.2	0.3	65%	0.1	0.1	-1%
Personnel Support	3.7	4.3	16%	0.5	0.6	15%
Investment	2.5	17.5	592%	0.2	0.4	106%
Procurement	2.4	16.1	565%	0.2	0.4	112%
RDT&E	0.0	0.1	788%	0.0	0.0	63%
Military Construction	0.1	1.2	1266%	0.0	0.0	0%
TOTAL	52.1	70.9	36%	9.8	10.6	8%

Notes and Sources:

- Includes all obligations for pay and contracts in the fiscal year, drawing on budget authority from various years.
- Average personnel levels calculated by CRS from DFAS funding for hostile fire or imminent danger pay; since each troop is entitled to \$225 per month in hostile fire pay, total funding can be divided by 12 to get a monthly level and that figure can be divided by \$225 to get average troop levels. Rounded to thousands.

- c. Special pays include hostile fire pay, family separation allowance, foreign duty pay and other special pays.
- d. Covers costs of military personnel above authorized strength levels.
- e. Includes unit, intermediate, and depot maintenance.

Similarly, for equipment maintenance — expected to rise by 40% from \$5.1 billion in FY2005 to \$7.3 billion in FY2006 — Congress may want to know the full scope of the anticipated requirement and whether the services can reduce their regular repair budgets because war-worn equipment is being repaired sooner than anticipated.³² Many Army systems, such as the 37,000 light trucks in theater, are being operated at far higher rates than peacetime — about 6,000 miles a year for a truck in Iraq, though that is not a high rate by civilian standards.³³ The House Appropriations Committee requires DOD to submit a study on past and future maintenance requirements and funding by May 1, 2006 in its recent report on the FY2006 Supplemental.³⁴

Other costs may reflect a mixture of operational requirements and policy choices. For example, while the number of military personnel deployed may reflect the recommendations of commanders on the ground, the mix of active-duty vs. reservists reflects a personnel policy decision. The cost of base support reflects not only the level of facilities and support services provided to troops but also the skill of government negotiators and the extent to which support contracts are competed.

Military Personnel Policy Choices. Changes in war costs for military personnel cannot be explained solely by changes in the average number of deployed troops. Between FY2004 and FY2005, OIF average deployed troop levels declined by 2% from 206,000 to 202,000 while military personnel costs, declined by 6%, three times as much. For OEF, troop levels increased by over 50% from 33,000 to 50,000 while costs rose by 23%, or half as much.

These differences appear to reflect the effects of policy choices about how much to rely on active-duty vs. reserves, how many active-duty forces above standard authorized levels (known as overstrength) are recruited and retained, as well as the effects of contracting decisions about feeding troops.

Extent of Reliance on Reservists. *How has DOD's reliance on reservists changed in the past four years and how might that affect costs?* While overall troop levels are expected to reflect the recommendations of commanders, the mix of active-duty and reserve forces may reflect decisions about how to distribute the burden of deployments among active and reserve units with the requisite skills, essentially, a

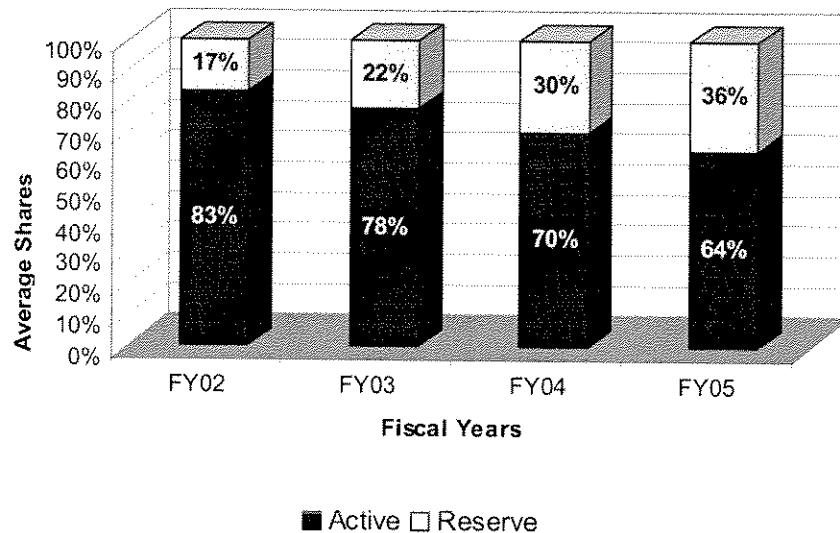
³² DOD, *FY2006 Supplemental Request For Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)*, Feb. 2006, p. 10; hereinafter, DOD, *FY2006 Supp Request*.

³³ Office of the Secretary of Defense, Report to Congress, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting from Sustained Combat Operations*, April 2005, p. 2-4; see also, CBO, *Estimates of cost implications of war-related stress on equipment*; [<http://www.cbo.gov/ftpdocs/62xx/doc6235/04-06-WornEquip.pdf>].

³⁴ See H.Rept. 109-388, p. 14.

policy choice. Between FY2002 and FY2005, DOD's reliance on reservists for OIF and OEF grew from 17% to 36% in FY2005 (see **Figure 1**). In FY2006, DOD has stated that it is reducing its reliance on reservists for OIF and OEF so those shares may fall in the future.

Figure 1. Active-Duty and Reserve Shares of Forces Deployed for OIF & OEF, FY2002-FY2005



Notes and Sources: CRS calculations based on Defense Manpower Data Center, *Contingency Tracking System, Deployed Military Personnel by Country*, November 2005 run.

Between FY2004 and FY2005, DOD also apparently decided to rely *less* on reservists for OIF — where costs dropped from \$6.9 billion to \$6.1 billion — and to rely *more* on reservists for OEF — where costs rose from \$700 million to \$1.8 billion (see **Table 6**). In terms of incremental war costs (above peacetime levels), activating reservists is more expensive than using active-duty forces because DOD pays not only special pays for combat but also full-time rather than part-time salaries. For active-duty troops, the only additional war-related costs are special pays.

According to DOD, troop levels are expected to remain the same in FY2006 as in FY2005.³⁵ To assess current requests and predict future costs, Congress may want to ask the following questions about troop levels and military personnel costs:

- What are past, current, and planned average troop levels?
- What are DOD's plans and rationales for the extent to which they plan to rely on reserves overall and for OIF vs. OEF?
- To what extent does DOD plan to exceed authorized strength levels to meet its wartime needs and for how long?
- Why are military personnel costs for OEF rising steeply?

³⁵ DOD, *FY2006 Supp Request*, p. 3; [http://www.dod.mil/comptroller/defbudget/fy2007/FY06_GWOT_Supplemental_Request_-_FINAL.pdf]

Subsistence Costs. Surprisingly, the cost of feeding troops — known as subsistence — fell sharply from \$2 billion to \$1.2 billion for OIF despite almost identical troop levels (see **Table 6**). Subsistence costs for OIF have been volatile — with the annual cost per troop rising from \$4,900 in FY2003 to \$9,500 in FY2004 and then falling to \$6,000 in FY2005. The decline in FY2005 may reflect successful efforts by Army logisticians — responsible for feeding all soldiers — to reduce costs. Between FY2003 and FY2005, the daily cost went from \$13 to \$26 to \$17.³⁶

In the OEF theater, the Army appears to have been less successful and the costs are higher. Although the annual OEF cost to feed a troop halved between FY2003 and FY2004 from \$12,000 to \$6,500 a year, it rose to \$7,100 in FY2005. The daily rate went from \$33 to \$18 to \$20 between FY2003 and FY2005.³⁷ The rate in FY2005 may also be affected by the activities and locations of the additional 17,000 troops deployed for OEF — whether they are in remote areas or at base camps — as much as by contract negotiations.

Congress may want to ask what cost control efforts are underway and how is that expected to reduce military personnel costs. In a report last year, GAO recommended that DOD capitalize on the cost control efforts of some individual theater commanders by setting overall guidelines, a recommendation that DOD rejected.³⁸

Affecting Operational Costs. With the exception of optempo costs — which are primarily driven by operational conditions and fuel costs — other operational costs also may be significantly affected by policy and contracting decisions.

Transportation Costs. *How are transportation costs affected by operational vs planning and policy choices?* Although the cost of transportation reflects some uncontrollable factors such as the amount of equipment and supplies to be shipped, the price of fuel, and security requirements in theater, it also reflects DOD's ability to plan in advance so as to maximize its use of less expensive but slower sea lift rather than more expensive but quicker airlift. Between FY2004 and FY2005, transportation costs increased by 15% or from \$5.1 billion to \$5.9 billion for OIF and decreased by 5% or from \$1 billion to \$900 million for OEF for reasons that are not clear.

To clarify DOD's policy and planning decisions, the following questions could be asked:

- How have the amount of equipment and supplies changed and what is projected (generally measured in ton miles)?
- How much of goods and supplies are shipped by air and how much by sea?

³⁶ CRS calculations based on figures in **Table 6**.

³⁷ CRS calculations based on figures in **Table 6** and DFAS obligations for FY2003.

³⁸ GAO-05-882, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, Sept. 2005, p. 6-7 and p. 33ff.

- Given the duration of operations, has DOD increased its reliance on cheaper sealift, a DOD goal, and if not, why not?

Base Support Costs. *How have base support costs changed and what does that suggest about ways to control costs?* Between FY2003 and FY2004, the cost of base support for OIF more than trebled from \$2.5 billion to \$8 billion a year or from about \$16,000 to \$39,000 per troop possibly because the Army and Marine Corps established more extensive facilities and support in the second year of operations (e.g., moving from tents to barracks). In FY2005, base support remained level for OIF at \$8 billion or about \$40,000 per troop per year.

Between those two years, OEF costs increased from \$700 million to \$880 million or from \$20,000 to \$27,000 per person per year. In FY2005, the total cost remained about the same but the per capita cost fell by 40% to \$16,000 because of the jump in troop levels. Base support costs for OEF are generally much lower than for OIF. Although some of these differences may reflect different conditions, the changes over time suggest that efforts to cost control efforts could have an impact.

Other Support Costs. There is little way to assess the \$10.4 billion for OIF and the \$2.1 billion spent for OEF for “Other supplies & Equipment” and “Other Services/Miscellaneous Contracts” because it’s unclear what drives the costs (see **Table 6**). In 2004, GAO recommended that DOD reduce the amount of funding carried in these categories for that reason.³⁹

Changes in Troop Levels for OIF and OEF Since 9/11

The Defense Department has provided little systematic information publicly about how and why war costs are rising including the key variable of the number of deployed troops. In testimony and in press conferences, Defense Department witnesses typically say that there are 138,000 troops deployed in Iraq and 18,000 in Afghanistan.⁴⁰

These figures, however, include only troops in those two countries — not all troops deployed for Operation Iraqi Freedom and Operation Enduring Freedom which includes not only Afghanistan but other counter-terrorism operations. The cost of paying, supporting, and equipping these troops is funded in DOD’s war costs.

³⁹ GAO-04-915, *Military Operations: Fiscal Year 2004 Costs for the Global War on Terrorism Will Exceed Supplemental, Requiring DOD to Shift Funds from Other Uses*, July 2004, p. 4, 19, 21.

⁴⁰ Secretary of Defense Rumsfeld before Senate Appropriations Committee, May 12, 2004 and before Senate Armed Services Committee on Sept. 23, 2004, and before Senate Armed Services Committee, Feb. 7, 2006; Deputy Secretary of Defense Wolfowitz before the House Armed Services Committee, June 22, 2004. For Afghanistan troop levels, see DOD News Transcript, Secretary Rumsfeld Remarks at Townhall Meeting, MacDill Air Force Base, Oct. 11, 2005; DOD News Release, “Operation Enduring Freedom Rotation Adjustment Announced,” Dec. 20, 2005.

DOD's Contingency Tracking System (CTS), a data base compiled to track military personnel who are deployed for OIF and OEF, may capture troop levels more accurately. That data base shows that about 300,000 troops were deployed for these missions in FY2005. This total of about 300,000 may include some 30,000 troops who were deployed at bases in the region before the 9/11 attacks.⁴¹

In earlier war cost estimates, CBO assumes about 240,000 troops deployed for OIF and OEF in FY2005 — about 60,000 lower than CTS figures.⁴² CBO's figures may exclude the 30,000 troops deployed in the region before the initiation of OEF. CBO does not separately break out troops for OIF and OEF.

Of the 300,000 shown in the CTS data base, about 240,000 are deployed for OIF and about 40,000 for OEF, including about half in Afghanistan and half elsewhere in the region or deployed in other counter terrorism operations such as the Philippines (Other GWOT).⁴³ Another 30,000 are in unknown locations including about 15,000 to 20,000 on Navy ships in the region (see **Figure 2**).⁴⁴ A recent House Appropriations Committee report, based on data from the services, says that there are currently some 228,000 troops deployed, including about 190,000 for OIF and 38,000 for OEF, somewhat lower than the CTS or CBO figures.⁴⁵

Congress may want to require more accurate information about annual past and future military personnel levels for each mission in order to assess funding requests.

Changes in Overall Troop Levels. *How many troops were in the region before September 11, 2001?* Because DOD's CTS includes monthly troop levels, it can show the rise and fall of troop levels over time (see **Figure 2**). As of September 2001, about 60,000 troops were deployed including:

- 15,200 for OEF including 200 in Afghanistan and 15,000 in other neighboring countries like Saudi Arabia and Bahrain or other counter terrorism operations;

⁴¹ Table entitled "Total Military, Civilian and Dependent Strengths by regional Area and By Country, September 30, 2001," in Department of Defense, *Worldwide Manpower Distribution by Geographical Area*, Sept. 30, 2001, shows 27,000 military personnel for North Africa, Near East, and South Asia.

⁴² CBO also shows about 60,000 reservists activated to 'backfill' or perform the duties of deployed active-duty forces or provide enhanced security at U.S. bases. See CBO, "Estimate of War Spending, FY2005-FY2015," Feb. 1, 2005; [<http://www.cbo.gov/ftpdocs/60xx/doc6067/02-01-WarSpending.pdf>].

⁴³ CRS used DOD's definition of OEF as Afghanistan and other Global War on Terrorism (GWOT) operations to calculate these figures from CTS which lists personnel by country.

⁴⁴ CRS calculations from Department of Defense, Defense Manpower Data Center, *Contingency Tracking System, Military Personnel Deployed in Support of the Global War on Terrorism, by country*, November 2005 run. For OIF, CRS includes military personnel in Iraq and Kuwait because Kuwait is the headquarters and a staging area for OIF.

⁴⁵ See H.Rept. 109-388, p. 6. The House report estimate is as of February 2006, the CBO and CTS estimates are averages for FY2005, which may explain some but not most of the differences among the estimates.

- 4,500 in Kuwait, a U.S. headquarters operation which became a staging area for OIF; and
- 40,000 in unknown locations including about 20,000 Navy personnel in ships in the area.

About half of these troops may have been deployed at bases in the region before the 9/11 attacks.⁴⁶

Overall deployed troop levels for OIF and OEF peaked in May 2003 at about 410,000. In the next five months, overall troop levels dropped rapidly to 240,000. Until December 2004, troop levels remained about that level. Since then, however, total troops deployed for both missions increased to about 300,000 in January 2005 and have continued to grow to about 340,000 by November 2005.

Changes in OEF Troop Levels. OEF troop levels doubled from about 15,000 in September 2001 to 35,000 by March 2002 with the number in Afghanistan itself growing from 800 to 4,400 and about 30,000 in other GWOT operations. From March 2002 to March 2003, the number of troops for OEF almost doubled to 63,000 including an increase in Afghanistan from 4,000 to 16,000 while other GWOT grew from 30,000 and 46,000 (see **Figure 2**).

By March 2004, OEF levels had fallen to about 37,000 including 15,000 in Afghanistan and 23,000 in Other GWOT. In the next year, OEF troop levels gradually increased to about 43,000 in March 2005, then edging up to about 50,000 by August 2005 where it remained as of November 2005. During 2005, OEF troop levels hovered close to 50,000 with about half in Afghanistan and the other half in other GWOT.

Changes in OIF Troop Levels. *How did troop levels change between May 2003 and November 2005?* By December 2002, the buildup for the Iraq invasion had begun with increases in OIF to 10,000 plus a buildup in the number of “unknown” from about 40,000 — the pre-buildup level — to 50,000, some of whom may have been destined for Iraq. By the March invasion of Iraq, OIF troop levels reached 155,000 for OIF or possibly over 200,000 if some of the 105,000 troops shown as “Unknown” were for Iraq. (If the number of troops in unknown locations is assumed to continue to be about 40,000, the pre-buildup level, then some 60,000 may have been destined for Iraq.)

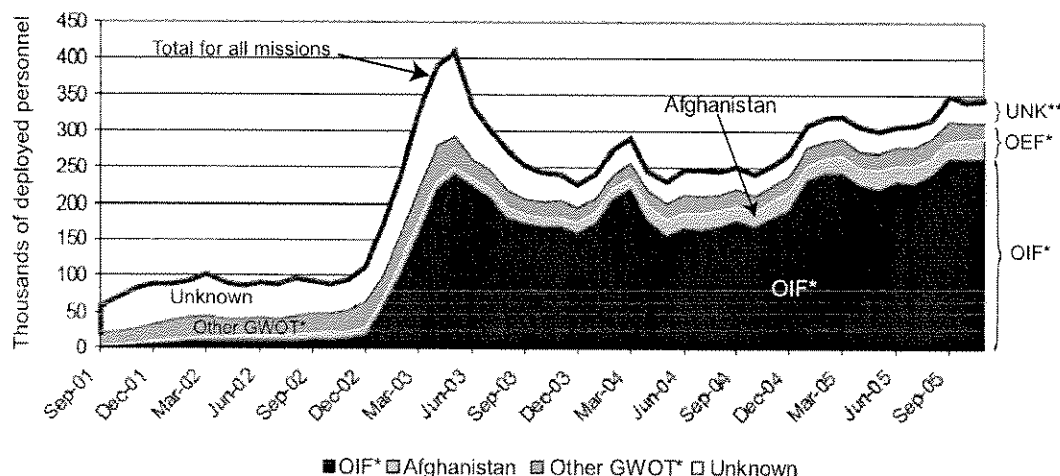
In May 2003, OIF troop levels peaked at between 240,000 and 300,000 (the higher number assumes all but 40,000 in unknown locations were for OIF). In the five months after the invasion, troop levels for OIF dropped from about 300,000 to 170,000. “Unknown” troop levels returned to about 40,000, the pre-OIF buildup level.

⁴⁶ Table entitled “Total Military, Civilian and Dependent Strengths by Regional Area and By Country (309), Sept. 30, 2001, in Department of Defense, *Worldwide Manpower Distribution by Geographical Area*, Sept. 30, 2001, shows 27,000 military personnel for North Africa, Near East, and South Asia.

Except for an uptick in February/March 2004 for the Iraqi elections, troop levels for OIF remained at about 170,000 levels for FY2004. In November 2004, OIF troop levels began to rise, reaching 260,000 in September 2005. About 30,000 troops were in unknown locations in FY2004 and FY2005.⁴⁷

Congress may want to get actual and planned monthly or quarterly deployed troop levels for each operation in order to get a better understanding of DOD's experiences and plans.

Figure 2. Military Personnel Deployed for OIF and OEF, by Month, September 2001-November 2005



Notes and Sources *OEF = troops deployed for Operation Enduring Freedom or Afghanistan and Other Global War on Terror operations; OIF = troops deployed in Iraq and Kuwait for Operation Iraqi Freedom; Other GWOT = Other Global War on Terror operations including all locations other than Iraq, Afghanistan, and Unknown in data base. **Unknown = country location not identified, includes 15,000 to 20,000 Navy personnel on ships in the region. Figure constructed by CRS from data in *Defense Manpower Data Center, Contingency Tracking System, Military Personnel Deployed for OEF/OIF, by Country*, November 2005 run.

Estimating Future Costs

Future costs will depend on not only changes in the number of deployed troops but also the pace of operations, DOD policy and contracting decisions, and the size of the overall reset bill in years to come. For cost purposes, average annual troop levels may be the most useful benchmark but DOD has not provided those figures. Based on DOD's reporting of war obligations, CRS estimates that the average

⁴⁷ CRS calculations based on Defense Manpower Data Center, *Contingency Tracking System, Military Personnel Deployed in Support of the Global War on Terrorism, by country*, November 2005 run.

number of deployed troops for both missions was about 190,000 in FY2003, 238,000 in FY2004 and about 252,000 in FY2005 (see **Table 7**).⁴⁸

To give another window into trends and how changes in troop levels may affect costs, CRS estimated the average cost to support each troop deployed — both support and investment costs (see **Table 7**). Because only some costs — such as for meals, body armor, operating tempo, and ammunition are likely to vary directly in proportion with troop levels, the average cost per troop cannot be used by itself to predict future costs.

Other support costs, like base support for example, are likely to change gradually, perhaps only with substantial decreases or increases that would cause individual facilities to be closed or opened. To predict future costs, one would need to make some reasonable assumptions about the portion of costs that vary directly with changes in troop levels and those that lag or are more fixed in the short-term. Investment costs to replace equipment also appear to lag operations and are now expected to persist after operations are complete according to the services.

Average Annual Cost Per Troop. Based on average troop levels, the annual operational cost per troop participating in OIF operations was about \$275,000 in FY2005. If the cost of investment in additional equipment or facilities is included, the annual average rises to about \$360,000 per troop (see **Table 7**).⁴⁹

Table 7. Average Annual Cost Per Deployed Troop by Operation: FY2003-FY2005

AVERAGE TROOP LEVELS AND COST	FY2003	FY2004	FY2005
Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)			
Average Monthly Troop Levels: OIF and OEF	190,000	238,000	252,000
Average annual operational cost per troop	\$310,000	\$275,000	\$273,000
Average annual obligations per troop	\$318,000	\$305,000	\$355,000
Operation Iraqi Freedom			
Average monthly troop levels	157,000	206,000	202,000
Average annual operational cost per troop	\$278,000	\$257,000	\$275,000
Average annual obligations per troop	\$284,000	\$289,000	\$361,000
Operation Enduring Freedom			
Average monthly troop levels	34,000	33,000	50,000
Average annual operational cost per troop	\$463,000	\$390,000	\$267,000
Average annual obligations per troop	\$478,000	\$405,000	\$275,000

⁴⁸ CRS calculated average personnel levels from DFAS funding for hostile fire or imminent danger pay; since each troop is entitled to \$225 per month in hostile fire pay, total funding can be divided by 12 to get a monthly level and that figure can be divided by \$225 to get average troop levels. These figures are similar to but do not match average levels calculated from DMDC's Contingency Tracking System.

⁴⁹ This estimate is based on CRS estimates of average troop levels and DFAS-reported costs which do not include such costs as intelligence, modularity, or the training of Afghan and Iraqi security forces.

Notes and Sources: Numbers may not add due to rounding. CRS calculations based on hostile fire pay, total obligations, and sum of military personnel and operation and maintenance obligations as reported by the Defense Finance Accounting Service, *Supplemental & Cost of War Execution Reports*, FY2003, FY2004, FY2005 plus intelligence obligations; understates FY2005 costs because does not include cost to train and equip Afghan and Iraqi security forces, Army modularity costs and possibly some military personnel costs.

By FY2005, operational costs for OEF troops declined to roughly the same amount as OIF — \$267,000 — probably because of the spike in the number of troops from 33,000 to 50,000. Before that, operational costs were over \$100,000 higher per troop for the OEF mission. Little of DOD's procurement monies is slated for the OEF mission so the \$275,000 overall average cost is lower than for the OIF mission (see **Table 7**).

These costs are considerably higher than the \$90,000 average to “sustain a U.S. service member in a theater ...” that was cited by Secretary Rumsfeld in recent testimony.⁵⁰ The DOD figure may be a narrow definition of support including only military pay and base support costs.

Illustrative Future Costs. The Administration and DOD have not been willing to estimate war costs beyond the current fiscal year citing the uncertainties of ongoing operations. Based on an illustrative scenario in which dedicated force levels for the global war on terror (GWOT) fall from about 258,000 in FY2006 to about 73,000 by FY2010, CBO estimates that war costs could total an additional \$197 billion between FY2007 and FY2010 and \$371 billion between FY2007 and FY2016.⁵¹ Based on that rough CBO estimate, the cumulative cost of the global war on terror could reach \$634 billion by FY2010 and \$808 billion by FY2016.

CBO's alternative path assumes that funding will decline from about \$95 billion supporting 258,000 troops in FY2006 to:

- \$75 billion in FY2007 with 220,000 troops;
- \$55 billion in FY2008 with 170,000 troops;
- \$40 billion in FY2009 with 123,000 troops;
- \$30 billion in FY2010 with 73,000 troops; and
- an annual average of \$29 billion between FY2011 and FY2016 for 73,000 troops.⁵²

In CBO's illustrative estimate, overall war costs would drop by \$20 billion between FY2006 and FY2007 if the number of dedicated troops fell by 38,000 from

⁵⁰ Secretary Rumsfeld in hearing before Senate Appropriations Committee, *Supplemental Budget Request for Operations in Iraq and Afghanistan*, March 9, 2006.

⁵¹ CBO's estimate of troops includes both those deployed and reservists activated to do the jobs of active-duty troops deployed and provide enhanced security at bases.

⁵² CBO, *An Alternative Budget Path Assuming a Reduction in Spending for Military Operations in Iraq and Afghanistan and in support of the Global War on Terrorism*, Feb. 24, 2006; [<http://www.cbo.gov/ftpdocs/70xx/doc7048/02-24-AlternativePath.pdf>]; see also, [<http://www.cbo.gov/publications/collections/iraq.cfm>].

258,000 to 220,000. CBO's estimate includes about \$60 billion in investment — mostly in FY2006 for accrued costs some of which may already be financed in the FY2005 and FY2006 supplemental. In CBO's estimates, operational costs do not immediately fall with drops in troop levels but fall more proportionately in later years.⁵³

To get a more precise figure, Congress may want DOD to construct illustrative scenarios showing rough estimates of how costs would change with different troop levels as well as the size of overall reset requirements in light of funding already provided or programmed.

Oversight Options for War Cost Reporting

Both CRS and GAO have found that DOD's war cost reports appear to leave out substantial amounts of war spending, including over \$7 billion in FY2003 funding provided in DOD's regular defense appropriations act that was intended for the global war on terror, as well as \$10 billion each year for the next five years included in DOD's budget plans for the same purpose.⁵⁴ CRS also found that about \$2.5 billion used by DOD to prepare for the invasion of Iraq came from funds appropriated before Congress passed the resolution approving the use of force in Iraq.⁵⁵

CRS also found that DOD's cumulative figures for war obligations understate expenses by over \$20 billion because DOD's financial system for tracking war costs has excluded certain types of expenses.⁵⁶ Although CRS has tried to capture accurately all of DOD's war-related spending — including transfers from baseline

⁵³ CBO, *An Alternative Budget Path Assuming a Reduction in Spending for Military Operations in Iraq and Afghanistan and in support of the Global War on Terrorism*, Feb. 24, 2006; [<http://www.cbo.gov/ftpdocs/70xx/doc7048/02-24-AlternativePath.pdf>]; see also, [<http://www.cbo.gov/publications/collections/iraq.cfm>].

⁵⁴ CRS's conclusion is based on an analysis comparing DOD's budget authority with its war obligations reports. GAO also found that DOD had lost visibility over \$10 billion added to DOD's planned funding for each year between FY2003 and FY2007 for the global war on terrorism; see U.S. Government Accountability Office, *Global War on Terrorism: DoD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, GAO-05-882, Sept. 2005, pp. 33, 35; [<http://www.gao.gov/new.items/d05882.pdf>].

⁵⁵ A DOD table attributes \$2.5 billion in funds for Iraq to years before FY2003, probably from the first two war supplementals (P.L. 107-38 and P.L. 108-206), which were to "respond to the terrorist attacks," of September 11th and "to continue the global war on terrorism" These funds probably included the \$700 million that according to Bob Woodward's book, *Plan of Attack*, President Bush used to upgrade facilities and prepare for the war in Iraq in the summer of 2002 before passage of the joint resolution authorizing the use of force in Iraq. This account was disputed by then-Deputy Defense Secretary Wolfowitz.

⁵⁶ For example, DOD told press representatives that its cumulative obligations for OIF, OEF, and ONE totaled \$251 through FY2005 based on its Supplemental & Cost of war reports. That total does not include funds for intelligence, some funds for Army modularity and military personnel, and \$7.0 billion to train and equip Afghan and Iraqi security forces.

appropriations — CRS estimates may not capture all war-related spending or may, in some cases, be overstated because of possible double-counting.

Keeping track of costs is also problematic because since FY2003, Congress has provided funds to DOD twice a year — in bridge funds and a supplemental. Congress has provided funds in DOD's regular appropriations to cover the initial months of the fiscal year and bridge the gap until passage of a supplemental later in the year, without receiving a DOD request. DOD's justification materials for its supplementals typically do not show expenses for the full year in any consistent fashion so it is difficult to compare individual types of expenses between years.

Reporting Alternatives. *How might Congress get better, accurate information on war costs?* To get official figures and a better sense of DOD's plans, Congress may want to consider directing DOD to do one or more of the following:

- allocate all funds by military operation in its requests;
- report previous and projected funding and actual and planned troop levels by operation after enactment;
- compare budget authority appropriated with obligations and outlays by operation and type of expense in a timely manner;
- estimate and explain the rationale for reset requirements to repair and replace equipment that is worn or lost in combat;
- estimate and explain recapitalization requirements to upgrade equipment; and
- show how funding provided in supplemental appropriations may reduce DOD's baseline requests by funding maintenance or procurement earlier than anticipated.

Particularly if the global war on terror is likely to become “the long war” as some Administration spokesman have suggested, Congress may want to consider requiring that DOD request a full year's war funds concurrently with the regular budget as well as provide the same level of detail as in its regular requests. This option would make it easier to see DOD's full costs each year and to compare war and baseline-funding. On the other hand, it would also be more difficult for DOD to estimate its requirements at an earlier point in time.

Another option that Congress may want to consider to improve the tracking and visibility of war costs, would be to set up separate accounts for war-related funding. Because DOD currently mixes its war-related and baseline program funds in the same accounts, it is difficult if not impossible to segregate all war-related funds or track war outlays. On the other hand, mixing baseline and war funds gives the services more flexibility to move funds from one purpose to the other.

Disclosing and developing more accurate war cost information could provide another metric for measuring progress in each operation. Although Congress required that DOD report quarterly on a wide range of metrics for measuring success

in Iraq beginning in July 2005, this requirement does not include estimates of current or future costs.⁵⁷

The State Department has provided Congress with more detailed reports on its various reconstruction activities in Iraq including both monthly reports — required by statute — and with weekly updates at its discretion.⁵⁸ Accurate, consistent and complete reporting by DOD to Congress on an ongoing and current basis could help Congress assess trends in war-related spending and DOD's additional requests for Iraq and Afghanistan in the years to come.

⁵⁷ H.Rept. 109-72, p. 97; DOD, Report to Congress, "Measuring Stability and Security in Iraq," July 21, 2005; [<http://www.defenselink.mil/news/Jul2005/d20050721secstab.pdf>].

⁵⁸ See for example, State Dept. 2207 Reports to Congress, July 2005, executive summary [<http://www.state.gov/documents/organization/48891.pdf>].

Appendix

Table A1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror, and Enhanced Base Security, FY2001- FY2006
(in billions of dollars of budget authority)^a

Name of law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
FY2001 Emerg. Supp. Approp. Act for Recovery from and Response to Terrorist Attacks on the United States	107-38	9/18/01	13.6	0.3	0.0	13.9
FY2002 Dept. Of Defense and Emergency Terrorism Response Act	107-117	1/10/02	3.4	0.0	0.0	3.4
FY2002 Emergency Supplemental	107-206	8/2/02	13.8	0.4	0.0	14.1
FY2002 Regular Foreign Operations	107-115	1/10-02	0.0	0.2	0.0	0.2
FY2003 Consolidated Approps	108-7	2/20/03	10.0	0.4	0.0	10.4
FY2003 Emergency Supplemental	108-11	4/16/03	62.6	3.3	0.0	66.0
FY2003 DOD Appropriations ^b	107-48	10/23/02	[7.1] ^b	0.0	0.0	[7.1]*
FY2004 DOD Appropriations Act (rescission of FY03 funds)	108-87	9/30/03	-3.5	0.0	0.0	-3.5
FY2004 Emergency Supplemental	108-106	11/6/03	64.9	21.2	0.0	86.1
FY2004 Foreign Operations	108-199	1/23/04	0.0	0.5	0.0	0.5
FY2005 DOD Appropriations Act, Titles IX and X	108-287	8/5/04	24.9	0.7	0.0	25.6
FY2005 Supplemental Approps ^c	109-13	5/11/05	75.7	3.1	0.0	78.8
FY2005 Omnibus Appropriations	108-447	12/8/04	0.0	1.0	0.0	1.0
FY2005 DOD Appropriations Act ^d	108-287	8/5/04	2.1	0.0	0.0	2.1
FY2006 DOD Approps Act, Title IX ^e	109-148	12/30/05	49.9	0.0	0.0	49.9
FY2006 DOD Appropriations Act ^d	109-148	12/30/05	1.9	0.0	0.0	1.9
FY2006 Foreign Operations and Rel. Ag. Approp. Act	109-102	11/14/05	0.0	1.0	0.0	1.0
FY2006 Science, State, & Rel. Agencies Appropriations Act ^e	109-108	11/22/05	0.0	0.1	0.0	0.1
FY2006 Interior & Rel. Ag. Approp. ^f	109-54	8/2/05	0.0	0.0	0.2	0.2
FY2006 Military Quality of Life & Veterans Affairs ^f	109-114	11/30/05	0.0	0.0	0.5	0.5
TOTAL APPROP. W/O \$7.1B	NA	NA	319.2	32.1	0.7	352.0
TOTAL APPROP. W/ \$7.1B	NA	NA	326.3	32.1	0.7	359.1
FY2003 Transfers	various	NA	1.2	0.0	0.0	1.2
FY2004 Transfers	various	NA	5.8	0.0	0.0	5.8
FY2005 Transfers	various	NA	1.6	0.0	0.0	1.6
Subtotal Transfers^g			8.6	0.0	0.0	8.6
TOTAL ENACTED (w/ transfers)	NA	NA	334.9	32.1	0.7	367.7
<i>FY2006 Emergency Supp. Conf., 6-14-06*</i>	<i>NA</i>	<i>NA</i>	<i>65.9</i>	<i>3.1</i>	<i>0.0</i>	<i>69.0</i>
GRAND TOTAL WITH FY2006 SUPP CONF. BILL (H.R. 4939), 6-14-06*	NA	NA	393.7 to 400.8*	35.2	0.7	429.7 to 436.8*

Source: CRS calculations based on public laws and DOD documents.

***As of 6-16-06 as passed by both houses and signed by the president; in italics.**

Notes: NA=Not Applicable. Totals may not add due to rounding.

- a. Totals reflect budget authority for war-related expenses from appropriations and transfers, and exclude funds transferred to other agencies, contingent appropriations not approved, rescissions that do not affect war-related funds, and transfers that were later restored in supplemental appropriations.
- b. Range reflects totals with and without \$7.1 billion in regular FY2003 defense appropriations that may or may not have spent on GWOT.
- c. Excludes funds for tsunami relief and for the new office for the Director of National Intelligence.
- d. Reflects funds obligated for enhanced security (Operation Noble Eagle) in FY2005 from DOD's baseline funds; CRS estimated FY2006 based on FY2005 level; Title IX of DOD's regular appropriations bills in FY2005 and FY2006 provided DOD with "additional appropriations" or a bridge fund for Iraq and Afghanistan until passage of a supplemental.
- e. Includes funds for embassy operations.
- f. Interior bill included additional emergency VA medical care funding for veterans of Iraq and Afghanistan; VA estimate of medical costs for veterans of Iraq and Afghanistan in both acts.
- g. CRS calculated funding for transfers from DOD's list on their website.